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FINANCES OF CANADA

Public Debt
Capital Expenditure
Consolidated Expenditure
Public Works, Customs, and
Post Office Expenditure
Railway Subsidies

FINANCING THE WAR—

In England
In Canada

"I submit, with all deference to the judgment of the free people, that economy and retrenchment, not more taxation and more expenditure, is the proper policy under present conditions."

*(Right Hon Sir Wilfrid Laurier,
House of Commons, March 10th, 1915.)*

The figures quoted in this pamphlet are exclusive of any expenditure in connection with the war

GOVERNMENT CONDEMNED BY ITS OWN WORDS.

"The increase in what is known as ordinary controllable expenditures of from 36 millions in 1896, to 79 millions in 1910, is proof of extravagance beyond any possible defence and establishes a *prima facie case of corruption*."—From manifesto delivered by Sir Robert Borden in 1911.

The increase referred to by Sir Robert Borden was at the rate of less than four million dollars a year. What then is to be said of an increase of from 98 millions in 1911-12 to 135 millions in 1914-15, or at the rate of over 12 millions a year? Corruption under the Premier's own argument in 1911 has been proven against his own government.

"The rapid pace which has been set and the recklessness of the expenditures that have been undertaken have obliterated all the old rules, all the old lines in reference to expenditures. Whither are we rushing?"—Hon. Geo. E. Foster, speaking on the Liberal budget of 1908.

The eloquent voice of Sir George Foster as Minister of Trade and Commerce in the present Government has never been raised, even when Canadian trade and commerce was seriously on the decline against expenditures which for "recklessness" made the highest mark set by the Liberals look like expenditure under a Provincial Government.

"I say Mr. Speaker that the late Government were the inventors, the originators, the parents, progenitors and propagators of the most inordinate, reckless, purblind and wilful extravagance that this country, or any other British country, has ever known."—Hon. W. T. White, Minister of Finance, in the House of Commons during the Session of 1915-16.

AND YET IT WAS UNDER THE ADMINISTRATION OF THE SAME HON. W. T. WHITE THAT THE TOTAL DISBURSEMENTS OF THE DOMINION (EXCLUSIVE OF WAR) FOR THE THREE YEARS ENDING MARCH 31st, 1915, SINCE THE BORDEN GOVERNMENT CAME TO OFFICE AMOUNTED TO \$512,859,957, AS COMPARED WITH A TOTAL OF \$375,399,105 FOR THE LAST THREE YEARS OF THE "INVENTORS, ORIGINATORS, ETC." ABOVE MENTIONED.

CANADA'S NATIONAL DEBT.

For the first two years of the war, the Government's domestic expenditure has been such that no portion of revenue has been available for war purposes. As a result tremendous borrowings have had to be resorted to, and the net debt of the Dominion has doubled since the war commenced. The following table shows the increase:

| | |
|----------------|---------------|
| March 31, 1913 | \$314,301,625 |
| March 31, 1914 | \$335,996,850 |
| March 31, 1915 | \$449,376,083 |
| March 31, 1916 | \$615,156,171 |
| Feb. 28, 1917 | \$765,061,893 |

By the end of the present fiscal year the net debt of the Dominion under present methods of financing will approximate the billion dollar mark. In addition, Canada will eventually be called upon to reimburse Great Britain for the care, maintenance, and equipment of our soldiers at the Front. This alone will cost this country \$500,000,000.

What does this mean?

It means that the Dominion will be faced with a yearly fixed charge in interest of \$75,000,000 or about three-quarters of the revenue in normal years. In addition to this pension charges variously estimated at from fifteen to thirty million annually must be paid for from revenues, a total interest and pension charge of approximately \$100,000,000 a year.

And yet the Government has practiced the most appalling extravagance and has declined to adopt the policy that those who benefit from the war, should help pay for the war while it is in progress.

CONSOLIDATED OR "CONTROLLABLE" EXPENDITURE.

During the first four years of the present government's administration (which included 19 months of war) there was spent under Consolidated expenditure almost as much as the Liberals spent under this fund during the last seven years of office.

The following comparative figures for four years before and after the present Government came to power are eloquent of the extravagance practiced during the latter period.

| | 1908-1912 | 1912-1916 | |
|--------------------|--------------|-----------------|---------------|
| Under Liberal Rule | | Under Tory Rule | |
| 1908-09 | \$84,064,232 | 1912-13 | \$112,059,537 |
| 1909-10 | 79,411,747 | 1913-14 | 127,384,472 |
| 1910-11 | 87,774,198 | 1914-15 | 135,523,206 |
| 1911-12 | 98,161,440 | 1915-16 | 130,350,726 |

Total 1908-1912 \$349,411,617

Total 1912-1916 \$505,313,941

In other words, the Government's "controllable" expenditure for the first four years of its regime (absolutely exclusive of War expenditure) exceeding that for the last four years of Liberal rule by \$155,902,324, or by nearly 45 per cent.

During the last four years of Liberal rule the Dominion was at the height of prosperity. During the first two years of Conservative rule there was a serious depression, while the two latter years were war years, when economy was imperative and extravagance a crime.

CAPITAL ACCOUNT EXPENDITURE.

In the first four years of its administration the Capital

Expenditure of the present Government exceeded the Capital Expenditure of the Liberal Government by over ten million dollars, despite the heavy outlays incurred by the late Government on the National Transcontinental and despite the fact that when war broke out the present Government pledged itself to curtail all but necessary public works, etc. This is exclusive of War Expenditures.

The following comparative figures of Capital Expenditures speak for themselves:

| 1908 to 1912 | | 1912 to 1916 | |
|--------------------|---------------|-----------------|---------------|
| Under Liberal Rule | | Under Tory Rule | |
| 1908-09 | \$42,593,166 | 1912-13 | \$27,206,046 |
| 1909-10 | 29,756,353 | 1913-14 | 37,180,175 |
| 1910-11 | 30,852,963 | 1914-15 | 41,447,320 |
| 1911-12 | 30,939,576 | 1915-16 | 38,566,950 |
| Total | \$134,142,057 | Total | \$144,400,491 |

This is an excess of \$10,258,434 over the Expenditure for the last four years of the Liberal rule.

RAILWAY SUBSIDY DEBAUCH.

Under the present regime cash subsidies to railways have reached the extreme limit of "generosity."

From 1912 to 1916 cash subsidies were granted to railways by the present Government as follows:

| 1896 to 1912 | | 1912 to 1916 | |
|---|---|--------------|--------------|
| During the 15 years of Liberal rule the total amount of cash subsidies paid to railways was | \$25,129,193 or less than \$2,000,000 a year. | 1912-13 | \$ 4,935,507 |
| | | 1913-14 | 19,036,236 |
| | | 1914-15 | 5,191,507 |
| | | 1915-16 | 1,400,171 |
| | | Total | \$30,563,421 |

In four years the present government handed out to the railways in cash subsidies over five millions more than were granted by the Liberals in 15 years.

This does not take into account enormous loans and bond guarantees granted by the present government, for part of which the country may later become directly liable.

PUBLIC WORKS.

Typical Profligate Expenditure.

Startling and typical evidence of prodigate extravagance are to be found in connection with the administration of three important departments, Public Works, Customs, and Post-Office.

Under the free-handed administration of Hon. Robert Rogers, expenditures attained huge and record proportions. Some appreciation of the extravagance practiced in the Public Works Department may be gained from the following comparative table of expenditures during the first three years of Rogers rule and the

of the last three years of the Laurier regime. Under Consolidated or Controllable expenditures the figures are as follows:

Public Works Department.

| | 1909-1912 | 1912-1915 |
|------------|---------------------|--------------------------------|
| | Under Liberal Rule | Under Rogers Rule |
| 1909-10. | \$ 7,261,218 | 1912-13..... \$ 13,468,505 |
| 1910-11. | 8,621,431 | 1913-14..... 19,007,512 |
| 1911-12. | 10,344,487 | 1914-15..... 19,343,532 |
| Total..... | <u>\$26,227,136</u> | Total..... <u>\$51,819,549</u> |

Excess of Consolidated expenditure during the first three years of Rogers rule over that for the last three years of the Liberal regime, \$25,602,413.

The increase is over 98 per cent.

CAPITAL EXPENDITURE.

Public Works Department.

Under Capital Expenditure the figures are as follows:

| | 1909-1912 | 1912-1915 |
|--------------|---------------------|--------------------------------|
| | Under Liberal Rule | Under Rogers Rule |
| 1909-10..... | \$ 4,514,605 | 1912-13..... \$ 6,057,514 |
| 1910-11..... | 3,742,717 | 1913-14..... 10,100,016 |
| 1911-12..... | 4,116,385 | 1914-15..... 11,049,029 |
| Total..... | <u>\$12,373,707</u> | Total..... <u>\$27,206,559</u> |

Excess of Capital expenditure during the first three years of Rogers rule, over that for the last three years of the Liberal regime, \$14,822,852.

The increase is over 110 per cent.

IN THE FIRST THREE YEARS OF ROGERS RULE THE EXCESS OF EXPENDITURE UNDER BOTH CONSOLIDATED AND CAPITAL, OVER THAT DURING THE LAST THREE YEARS OF LIBERAL REGIME WAS \$42,425,265, OR AN INCREASE OF OVER 100 PER CENT.

CUSTOMS DEPARTMENT EXTRAVAGANCE.

High Cost of Collecting Revenue.

In 1911-12 it cost an average of \$2.78 to collect \$100 worth of Customs revenue. In 1914-15, under the administration of Hon. Dr. Reid the cost of collecting \$100 worth of revenue had increased to \$4.77.

The following comparative figures indicate the extravagance in the cost of collection of revenue practised in this department by the present government.

| | 1908-1912 | 1912-1916 |
|--------------|--------------------|--------------------------------|
| | Under Liberal Rule | Under Tory Rule |
| 1908-09..... | \$ 1,991,951 | 1912-13..... \$ 3,150,776 |
| 1909-10..... | 2,025,453 | 1913-14..... 3,849,083 |
| | 2,187,174 | 1914-15..... 3,775,364 |
| | 2,443,846 | 1915-16..... 3,685,999 |
| | <u>\$8,651,424</u> | Total..... <u>\$14,460,622</u> |

In other words, it cost \$5,809,198 more to collect the Customs revenue of the Dominion during the first four years of Tory rule, than it did during the last four years of Liberal rule. The percentage of increase is about 62 per cent.

THE POST OFFICE DEPARTMENT.

How a Surplus was Changed to Deficit.

Under the administration of Hon. L. P. Pelletier and his successors the Post Office Department deteriorated from surplus producing to deficit producing. In 1911-12, the last year, of Liberal rule, the department contributed to the treasury a surplus of \$1,310,219. In 1913-14, under Pelletier rule, a deficit of \$2,914,541 was recorded. The reason may be found in the following comparison of expenditures:

Expenditures of Post Office Department.

| | 1908-1912 | 1912-1916 |
|---------|--------------|----------------------|
| 1908-09 | \$6,592,386 | 1912-13 \$10,882,804 |
| 1909-10 | 7,215,337 | 1913-14 12,822,068 |
| 1910-11 | 7,954,222 | 1914-15 15,961,191 |
| 1911-12 | 9,172,025 | 1915-16 16,009,138 |
| Total | \$30,933,980 | Total \$55,675,191 |

Excess of expenditure under four years of Conservative rule over that for last four years of Liberal rule, \$24,741,211, or an increase of about 80 per cent.

By dint of the imposition of an additional tax of fifty and one hundred per cent on all letters, the department has again pulled itself out of the hole. But for this the people are responsible, and not the government, as the expenditures for 1915-16 will indicate. No part of these increases, it must be noted, are due to the war. All war expenditures under this, as under other departments, are charged to war account.

WAR "ECONOMY"

When the war broke out the government made pious pledges of economy in all domestic expenditures. For the first two years of the war (for which, only, official figures are yet available) at least no evidence of such "economy" is appreciable. If Liberal expenditures in prosperous peace times were criminal, then what is to be said of Conservative expenditures which in war times exceeded those of the Liberals?

During the two fiscal war years, 1914-15 and 1915-16, the present government exceeded the expenditures during the two last "high-water" Liberal years as follows:

| | |
|----------------------------|--------------|
| On Consolidated Account by | \$79,938,294 |
| On Capital Account by | 18,221,522 |
| On Railway Subsidies by | 6,691,171 |

Total excess over Liberals \$104,850,987

This, it is to be noted does not include any expenditure due to WAR (which is charged to War Account) with the exception of about 10 million dollars extra interest on the Debt. This latter is almost counteracted by the turning over in 1916 of over half the normal militia estimates to War Account.

HEAVY INCREASES IN CUSTOMS TARIFF.

How the People Pay.

During the year 1915-16 an average of \$20.47 was collected by the government on every \$100 worth of goods imported into the Dominion for consumption. This imposition does not represent the full tax upon the people resulting from the High Protection Policy of the administration. To it must be added artificial boosting of priors of commodities so protected, including articles produced in Canada.

The increase in the tariff under the present government may be indicated from the following figures showing the percentage of duty on the total value of goods entered for consumption, dutiable and free:

| | | |
|------|-------|-----------|
| 1909 | 16.11 | per cent. |
| 1910 | 16.24 | " " |
| 1911 | 15.87 | " " |
| 1912 | 16.00 | " " |
| 1913 | 17.03 | " " |
| 1914 | 16.91 | " " |
| 1915 | 17.39 | " " |
| 1916 | 20.47 | " " |

From 1896 till 1911 the average rate of duty never exceeded 16 and a fraction. In 1896 it stood at 18.28. The highest ever reached prior to that time was 21.65 during the Tory Government days of 1889.

COMPARATIVE METHOD OF FINANCING WAR.

The United Kingdom.

Great Britain's total revenue for the fiscal year ended March 31st, 1917, amount to \$2,867,137,900, which is an increase of \$1,183,303,790 over the total for the preceding year. How was this tremendous increase brought about?

Of the total revenue no less a sum than \$692,800,000 was secured from the taxation of excess profits. From this source of revenue 24.43 per cent. of the total revenue was obtained.

Taxation on income and property netted a total of \$1,025,165,000, or 35.77 of the total revenue.

Customs taxation on luxuries, etc., netted \$352,805,000, or only 12.21 per cent. of the total revenue.

Excise netted \$281,900,000, or only 9.77 of the total revenue. The remainder was secured from various sources, including post offices, etc.

It will be noted, however, that in Great Britain, from excess war profits and accumulated wealth and incomes, 60.23 per cent. of the total revenue for the fiscal year just past was secured.

Great Britain is paying a goodly portion of her war expenditures out of revenue.

CANADA'S MOTTO:
"Hands Off the Profiteers."
"Let the Masses Pay."

The Canadian government in financing the Dominion's participation in the war has followed the path of least resistance. Sir Thomas White has pinned his faith on the Customs Tariff and unlimited borrowing at high rates of interest. He has declined to tap accumulated wealth through the medium of an income tax, although the sister Dominions, Australia and New Zealand have long ago adopted this form of taxation. Pressure of public opinion has forced him to make a pretence of taxing war profits. An analysis of the revenue of the Dominion for the fiscal year ending March 31st, 1917, indicates clearly the methods employed in raising revenue which is based on the principle that the masses and not the classes shall pay.

Out of a total revenue of \$228,217,270 raised during the year the Customs Tariff accounted for \$133,591,165, or 58.88 per cent. of the total revenue raised from all sources.

Excise account for \$24,253,632, or 10.52 per cent.

Public Works, including railways and canals, accounted for \$25,018,907, or 10.96 per cent.

Post Office account for \$20,031,627, or 8.77 per cent.

A small percentage was secured from Dominion Lands, Interest on Investments, and Miscellaneous.

But out of the total of \$228,217,270, War Profits contributed only \$14,552,383, or the insignificant percentage of 6.58 of the total.

IN BRITAIN EXCESS PROFITS AND ACCUMULATED WEALTH CONTRIBUTED 60.23 PER CENT. OF THE REVENUE.

IN CANADA EXCESS PROFITS CONTRIBUTED 6.58 PER CENT. AND ACCUMULATED WEALTH CONTRIBUTED NOTHING. UPON THE MASSES THE WEIGHT OF THE BURDEN HAS BEEN PLACED.

Additional copies of this or any of the following pamphlets may be secured by applying to the Secretary of the Central Liberal Information Office, Ottawa.

War Scandals (Second Edition). Revised and brought up to date.
An Administration of Extravagance in Patronage.

Shell and Fuse Scandals.

High Cost of Living.

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